

Testimony of
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before the

House Subcommittee on Insular Affairs

On Current Economic, Social and Security Conditions
in the Commonwealth of the Northern Mariana Islands

April 19, 2007
Longworth House Office Building
Washington, D.C.

Hafa Adai, Madam Chairwoman, Congressman Fortuno, and Members of the Committee. Thank you for holding this hearing and for this opportunity to share with you my thoughts on issues relating to the current economic, social and security conditions in the Commonwealth of the Northern Mariana Islands. While I understand that the focus of today's hearing is a federal perspective on the issues at hand, we in the Commonwealth appreciate your courtesy and willingness in affording the Resident Representative an opportunity to speak on behalf of the United States citizens residing there. As this committee is fully aware, the Northern Mariana Islands is the only place in the United States without representation in Congress, so I am very grateful that this subcommittee has lent me its ears.

An Historical Perspective:

The Northern Marianas had known almost 400 years of colonial rule and subjugation prior to the 1947 United Nations Mandate which created the Trust Territory of the Pacific Islands. In 1975 when we had the opportunity to vote on our own future, America's global reputation was very low, its foreign relationships weak, and it was losing the respect of its own citizens. Yet we chose overwhelmingly by 78% to become a permanent part of this great nation. As a member of the Marianas Political Status Commission, I worked hard encouraging my people to choose this path as I felt it would be the best option for our future and our children's future. I convinced them that American is a fair and compassionate Nation, one that takes care of its own people; fairly, equally, and without question. I continue to believe in these promises and principles; and the goodness and generosity of America to take care of its diversified population of minorities, immigrants, and Native Americans. So in spite of our enormous and difficult challenges, I believe that Congress can and will help us develop solutions so that we can move forward along a path that will bring us to prosperous future consistent with the American Dream.

While the majority of the American citizens of the CNMI strongly believe in our relationship with the U.S. we have those in our islands who want to re-invent the Covenant and renege on this long established agreement negotiated in good faith.

The Economic Perspective:

Madam Chairwoman, our economy is in dire straits. It disheartens me to report such findings because it was a little over a decade ago, in front of this very committee that the CNMI stood as an example of a successful young American democracy with an economy that was well its way to self-sufficiency and financial independence. I fear now that our economy is swiftly becoming a basket case and a failure. It is indeed a shame when any place in American can be described this way. I am here today to appeal for assistance in getting us out of this serious predicament. Now, more than ever, Congress must and should exercise its oversight, expend its resources and provide technical assistance to help us avoid economic and social chaos.

There are two primary economic engines in the CNMI: apparel manufacturing and tourism. Both are suffering from downturns caused by external factors. Trends in international trade agreements have left our apparel industry less competitive than those in countries such as China, Vietnam, and India. In 2000 we had 34 operating factories. By the end of this month we will have only 13, and I expect two or three more will close in the near future. The outcome of H.R. 2, The Fair Minimum Wage Act of 2007, and our request to amend General Note 3(a) will determine the longevity of the industry. A primary measure of the health of this industry has been the amount they pay in user fees to the CNMI Government. Chart 1 of the Attachment tracks the demise of this industry since 1999.

The other primary industry in the CNMI is tourism. This has also been adversely affected by circumstances beyond our control such as the price of aviation fuel, unprofitable tour packages, and availability of air service. Arrivals have been on the decline since 1996 as displayed in Chart 2 of the attachment. Japan Air Lines has eliminated flights to the CNMI and Continental Airlines has been reducing flights for some years. We have lost one commuter airline making it more difficult to reach Tinian, Rota, or Guam. Just recently Northwest Airlines has announced a reduction in flights and a conversion to smaller aircraft. Northwest alone will be carrying 169,000 less passengers with these changes. In addition, tourists have decreased their average length of stay and the amount of money they spend while in the CNMI.

Not only do these two industries support much of the other private sector activity, they directly provide a significant share of government revenue. The government reduced its revenue projections last year from \$212 million to \$193 million last year due to declining revenue collections. It has further reduced its revenue collection projections for FY 2007 to \$163 million, or 25% in just two years. As you can see from Chart 3 of the attachment, we have been experiencing this downward trend since 1999.

Governor Benigno Fitial implemented strict austerity measures last year including the implementation of austerity holidays where most government employees receive one day of unpaid leave per pay period. While we finished FY 2006 without adding to the deficit, those cuts are not sufficient to meet the new budget level of \$163 million. The government is still trying to determine how to make the additional budget cuts, but will have to either cut salaries more or reduce positions. Either decision will hurt people, and further hamper the economy. We do not anticipate any reversal of this trend in the near future, and in fact expect government revenues to be reduced by an additional \$15 million at least for next year.

We are also faced with a significant government operations deficit of \$174 million. You will ask yourselves, how a population of less than 70,000 people with limited long term obligations could have over spent their annual budgets by this amount in just 30 years. Our own Retirement Fund is a perfect example of the government's inability to pay obligations.

Our public employees' retirement system is in a mess and is in danger of becoming insolvent, especially if the current government practice of not paying the employers' share continues. With penalties the government debt to the Retirement Fund is close to one hundred twenty million dollars and no payments are predicted for the rest of this fiscal year and possibly not for next fiscal year. The Retirement Fund is forced to dip into its investment revenue and capital to make annuities payments. If this practice continues the Fund will bleed its investments to death. To make the matter worse, many current government employees are withdrawing their contribution to the Fund. The security of all current retirees, as well as those who have yet to reach retirement age is at stake. There is absolutely no excuse for allowing our retirees who have worked hard for our government and our people to be faced with this dilemma. They deserve better treatment and protection from their government.

Madam Chairwoman, the economic situation in the CNMI continues to erode. It is almost impossible to bring in new investors at this time. The uncertainty of minimum wage and availability of workers leaves prospective investors with more questions than answers. How can they develop their business plans if they do not know if they can hire workers, or know what they will be paying those workers? While we have been suffering from this economic downturn for a number of years now, the current interest by Congress to address labor and immigration control is only adding to the problem and making everything much worse.

The Social Perspective:

Madam Chairwoman, it is difficult to document the social problems that are due to our economic condition. We have few safety nets that normally protect society from the adverse consequences of poverty. We do not have unemployment programs or Temporary Assistance to Needy Families (TANF). We have a small food stamp program that I worry will not be able to expand to meet future needs. Fortunately our close knit

extended family social structure has been able to mitigate to some extent. We are seeing one or two breadwinners providing for the needs of all those in a family housing compound. I and other elected officials are asked daily for money so that fathers can feed their children.

As government revenues continue to decline I grow increasingly concerned about our ability to adequately fund public safety. Crime is on the increase. Purse snatching and other crimes against tourists are on the rise. There have been several incidences where people have resorted to stealing copper from telephone lines, power lines, and drop lines which provide power to water wells in order to sell them to recycling centers. We have been successful in prosecuting these crimes but the damages result in over a \$100 thousand in replacement and repairs not to mention serious disruptions in basic services.

Declining revenues also have frightening prospects for our public health. You may be already aware that the CNMI has one of the worst rates of diabetes and heart disease in the world. The decline in revenue has forced the government to cut the number of medical referrals thus endangering the lives of patients in need of specialized care. The increase in unemployment has led to an increase in Medicaid eligibility. This committee is all too aware of the problems we face with existing Medicaid caps, and even though Congress has recently increased that cap, we will be playing a game of catch up.

These dire social and economic conditions have been an impetus for hundreds of Chamorro and Carolinian families to sell or lease their homes and lots at extraordinarily low prices just so that they can purchase one-way tickets and relocate to Guam, Hawaii, or the mainland. If this exodus continues, I fear that we will lose many of our highly trained and skilled local people to other areas. We are also expecting that our young college graduates, who have achieved their higher education at great government expense, will continue the trend of not returning to the CNMI as there is little opportunity in their homeland. This should not be happening to our people, but our economic troubles have all brought us to this new reality. This is not the Commonwealth I envisioned thirty two years ago when I signed the Covenant on behalf of our people. This is certainly not the Commonwealth that we should leave behind as a legacy to our children.]

The cost of utilities, food items, fuel, education, shipping, medical services, and other essential amenities increase almost daily. The price of utilities has skyrocketed uncontrollably, so much so that during this last Christmas the normally joyous and festive spirit of the islands displayed by beautiful Christmas lights on businesses, hotels, homes and even the public sidewalks was absent, replaced by empty darkness. Usually a season of love and hope Christmas had become a sobering reminder of just how much our people are suffering.

Madam Chairwoman, I could go on and on with the depressing scenarios people in the CNMI face. We must admit, however, that these challenges are so daunting and tough for us alone to tackle. I feel that we simply cannot survive on our own. I am here to request for your intervention and assistance.

Immigration initiatives:

Legislation that is developed without due consideration of existing socio-economic conditions in the CNMI will have a profound and negative effect on our economy. A 1997 U.S. Commission on Immigration Reform report stated that “immediate imposition of all parts of the Immigration and Nationality Act would harm the CNMI’s economic development. Moving a society that has become so dependent on foreign contract labor towards a more sustainable economy cannot occur overnight.”

Those words were true in 1997 and they are even more true today. If the goal of this committee is to normalize CNMI immigration into a federal framework, we urge Congress to proceed carefully as this is a very complicated endeavor. It must be guaranteed that comprehensive economic and social statistics reflecting current conditions and realities are carefully collected and evaluated so as to ensure that the outcome of normalization is positive and beneficial to both the CNMI and the federal government.

At the time of our negotiations, tens of thousands of Southeast Asian refugees were arriving in Guam under U.S. immigration policy, and we were fearful that full implementation of the INA would allow those and other U.S. immigrants to migrate to the CNMI. We felt that the early years of our status as a U.S. Commonwealth should be focused on building a stable economy.

On the other hand we recognized that we needed a larger labor force than we had to build our infrastructure, hotels, and other business establishments. It was our intent that the need for these workers would be temporary. Though some are critical of how we built our economy through local control of immigration, that criticism does not negate the need for skilled workers that are not readily available from elsewhere in the U.S. or its freely associated partners.

When the Covenant was being negotiated, all sides assumed there would be a significant United States presence in our islands from a buildup by the Department of Defense. One of the more difficult issues to resolve, but one we were willing to accommodate the United States on, was the land requirements that the United States wanted for defense purposes, including use of our main harbor area and the most productive agriculture lands on Tinian. We all anticipated that the buildup would not only jump start our economy as the infrastructure was constructed, but would provide a long term stable base for private sector growth in small businesses as well as local employment. The model we all considered was Guam.

That did not happen and as we continued to develop from the mixed subsistence/cash economy under the Trusteeship, the principal source of employment became the public sector as we struggled to provide services to our residents at mainland standards. Tourism gradually developed, but also took a toll on our resources and demanded workers and skills not available within the local population. Garment manufacturing

began in Guam, but found a home in Saipan. In retrospect we probably should have paid closer attention to the demands that industry placed on our services and also on our resources, but nonetheless, the textile and tourism sectors form the backbone of our private sector and the source of the revenues our government requires to provide services to our residents. Hindsight is a wonderful gift, but we need to deal with where we are now rather than with the economy that we anticipated thirty years ago when this Committee considered and approved the Covenant.

We are here to participate in a serious process with the Subcommittee and the Congress to ensure additional mistakes are not made, but more importantly, what can we do to rebuild our local economy and alleviate the burdens of my people. When the Covenant was originally negotiated, as this Committee will recall, a provision was included that provided an annual grant for operations for our local government. The grant was slowly transformed to eliminate any payments for operations and to dedicate the funds exclusively to infrastructure development and for replacement of the aging works installed during Japanese Mandate and Trust Territory of the Pacific Island government times.

I mention this because sometimes in looking at the current problems we forget how much progress has been made since the Covenant first went fully into effect only about twenty years ago. This Committee has been particularly sensitive over the years to how the territories differ from the mainland and in some cases from each other and how mainland standards don't always work in non-contiguous areas. We have been fortunate over the years that this Committee is well represented from these non-contiguous areas and therefore has a greater understanding of our promises and problems. For that reason, if Congress chooses to extend US immigration laws to the CNMI, we will need to look to you to craft the provisions that ensure a smooth transition and strengthen the local economy.

I will be proposing a series of CNMI specific amendments to U.S. immigration policy which will accomplish this. By no means is this list exhaustive or complete, but rather a starting point for further discussion, and is basically the same list that I provided the Senate Energy Committee at their hearing on February 8th.

First, I request that Congress provide us with our own Visa Waiver Program similar yet distinct from Guam's Visa Waiver Program. Much of our tourism planning focuses on new markets in China and Russia. Several years ago with the assistance of the U.S. State Department, we were granted Approved Destination Status by the People's Republic of China. That designation and market as well as the Russian market would be cut off to us without a visa waiver program.

Second, as you know we have a very small indigenous labor pool, and have turned to guest workers to build our economy. Whether it be for doctors, nurses, engineers, cooks, or hotel maids, applying existing H1 and H2 caps to the CNMI would disrupt our health care system, our government and our economy. Therefore I request that special provisions be made outside of standard H1 and H2 caps and rules for the CNMI.

Third, since many of our businesses are owned and operated by foreign corporations and were begun under our own immigration rules, I am concerned that normalizing immigration might disrupt these businesses if they are not grandfathered in to the new system. Likewise, as we are trying to attract new investors into the CNMI, I fear that the existing cumbersome, slow and overly bureaucratic processing system for standard H1 visas would be a deterrent to our economic recovery. Therefore, I request that special provisions for current and future foreign investors be included in any legislation.

Fourth, we have been criticized for building our economy on two labor intensive industries, i.e. apparel and tourism. To change this we will need federal financial assistance and guidance to diversify our economic base beyond these two. However, the CNMI's indigenous population is still not large enough to provide for an adequately sized labor force to support a sustainable economy and will thus greatly limit our options to widen our economic base. Therefore, immigration policies must be sensitive to the workforce and training needs that will arise from a shift in available jobs required by new industries. A specifically and carefully designed guest worker program to meet the CNMI's workforce requirements must be an integral part of a new immigration framework.

Fifth, our proximity to Asia makes the CNMI an excellent location to provide specialized training such as English for Asian businessmen and students and nursing NCLEX prep classes. We currently provide NCLEX prep classes to Asian nurses, who upon passage come to the U.S. to fill a void created by a severe nursing shortage. I understand that U.S. student visas are now very difficult to acquire. Within a visa waiver program, I request that special consideration be granted to the CNMI for foreign student visas.

Sixth, several years ago the CNMI negotiated an MOU with various federal agencies to provide for the enforcement of U.S. treaty obligations relating to refugees and asylum. Full implementation of the INA in regards to refugees and asylum seekers may have adverse consequences for both the CNMI and the U.S. Careful study of the situation is required and possibly delayed implementation would be best.

Seventh, it was the intent of the Covenant to preserve the Northern Marianas for its indigenous people. Too many times in the history of the U.S. we have seen indigenous peoples displaced and outnumbered leaving them a political and economic minority in their own homeland. I caution the committee to be careful in the construction of a new immigration framework so as to avoid the political and social alienation of the Chamorro and Carolinian peoples.

Eighth, create an immigration board comprised of both local and federal government for the purpose of periodically reviewing the effectiveness of regulations promulgated under this new law, to make suggestions and amendments.

Ninth, I respectfully recommend that extensive study, deliberation and consultation be included in developing this new framework. I recommend that a joint congressional,

administrative, and CNMI study group be formed to thoroughly study all aspects of the CNMI's economy, current immigration laws, and long term economic prospects as a crucial step in developing a new immigration policy for the CNMI. It has taken the CNMI three decades to reach this point in our development. Only through careful consideration can we move the CNMI toward economic recovery and into a new era of prosperity while returning us to a state of self sufficiency and stability that we once enjoyed.

In essence, Madam Chairwoman, this Committee is embarking on a long and difficult voyage. We acknowledge without question that Section 503 of the Covenant specifically allows Congress to extend the immigration and naturalization laws to the CNMI. Furthermore, I respectfully emphasize that Section 701, requires the U.S. to "assist the Government of the Northern Mariana Islands in its efforts to achieve a progressively higher standard of living for its people as part of the American community and to develop its economic resources. . ." I am looking forward to working with your Subcommittee to successfully merge these two important fundamental principles of our political agreement into a new reality for the Commonwealth.

Call for a Delegate:

The CNMI is currently blessed, though some may say it is cursed, with a great deal of attention by the U.S. Congress. Since the beginning of the year we have been visited by two staff delegations, one from the Senate and more recently one from this subcommittee. This is the second hearing that has been convened to examine our current situation.

This attention has been met with a variety of responses from the CNMI. There are some who welcome Congressional intervention as they believe that we have strayed from our original goals, and that we need help to get back on track. There are others that feel that this attention is unwarranted and unnecessary and that we are doing "just fine, thank you." I however, believe that for the most part, Congress intentions are honorable and that there is no real desire by any member to destroy us. I honestly believe that Congress would like to see us succeed, but sees a need to alter the rules under which we operate.

Madam Chairwoman, it is my intention to work with this committee and any congressional committee that desires to re-visit the Covenant under which the CNMI was created. I feel that it is much better to be involved and participate in any discussions or legislation that may affect the CNMI.

However, I feel that the manner in which Congress is proceeding is unfair. Not only was it anticipated that the CNMI's control over immigration be terminated at some point by Congress and that the Immigration and Nationality Act would apply, it was also anticipated that the CNMI would be represented in this esteemed body as all other non-state entities are. Since Congress did not extend the INA to the CNMI in 1986 when the Trusteeship Agreement was terminated, and since local control of immigration has

become an essential tool in our economic development, it is easy to interpret Congress' desire to normalize or federalize our immigration now as political, vengeful, or retaliatory.

Even though you have extended to me as the Resident Representative some honorary privileges as if I were a Delegate, it is simply not the same. I cannot sit with you in subcommittee meetings; I am not privy to classified documents that detail how CNMI control of immigration is an alleged threat to national security; I cannot speak for the CNMI on the floor of the House of Representatives; nor can I defend my people except as an invited witness at hearings such as this one.

I think that it is a matter of simple democratic principles that the CNMI be afforded the right of representation before Congress proceeds to dismantle and hopefully rebuild the economic framework of the Commonwealth. The people of the CNMI should not feel that we are at the mercy of our critics or that we are being punished for mistakes made in our past. Neither behavior nor performance should not be used as a litmus test in the granting of a delegate for the CNMI.

The well being of my people is literally at stake. I am gravely concerned about the ongoing availability of health care, basic sanitation, clean water and public safety. We have been the plaything of political opponents for too many years. I desperately want reason to prevail in any congressional actions that will affect the CNMI. Madam Chairwoman, let us proceed in a logical manner. I respectfully request that prior to the introduction of any other legislation that the CNMI Delegate bill be re-introduced and acted on first.

Thank you.